

Starbucks investors mourn end of an era as Schultz exits after nearly four decades

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Starbucks Corp's shares fell as much as 3 per cent on Tuesday as the departure of Howard Schultz, the entrepreneur who turned 11 cafes into a global juggernaut, added to a series of worrying headlines for the world's biggest coffee chain.

Schultz, who took up the post of executive chairman after he stepped down as chief executive in 2017, will be stepping away from the company after nearly four decades to mull a "range of options."

Under Schultz, the company reinvented the coffee drinking experience — introducing a consumer friendly environment where people could order a range of beverages and lounge for several hours.

A successful model drove the company's share price for years, but recently Starbucks has been battling increased competition from rivals such as JAB Holdings and independent coffee shops. It is also facing slower growth in its dominant U.S. market, while also taking on a massive expansion project in China.

Shares of the Seattle based-company fell as much as 3.1 per cent to US\$55.28 on Tuesday, compared to a nearly 2 per cent drop when Schultz's exit was announced after the closing bell on Monday.

The company was recently mired in an embarrassing racial profiling incident that involved the arrest of two black men in a Philadelphia store. Schultz was brought in by CEO Kevin Johnson to control the crisis and stem any further damage to the company's image.

"Investors did not anticipate Schultz (would) return to the CEO role to help improve domestic trends, but we view the resignation as an incremental negative for shares given the loss of a powerful mind," Cowen & Co analyst Andrew Charles wrote in a note.

"(It is the) end of an era."

Schultz leaves on June 26, which would be 26 years to the day since taking the company public, putting management firmly in the hands of Johnson and new Chairman Myron Ullman, who was previously the CEO of J.C. Penney.

"It is reasonable for shareholders to worry about the retirement of a legendary leader from the brand, especially one who defines the culture as Howard does," RBC Capital Markets analyst David Palmer wrote in a note to clients.

One of Wall Street's most regarded CEO's, Schultz stepped down as Starbucks CEO in 2000 after taking up the role in 1986. He then returned to the top job in 2008 and again moved away from the role in 2017 after Johnson took over.

"Howard was not only the guy who started the company but he was the one who maintained brand vision. He walked away once and the company suffered immensely," Robert Passikoff, president of consultancy Brand Keys said.

Passikoff said same-store sales have been down in the past 18-months and shares are down this year. These are leading indicators that Starbucks has got to keep an eye on the brand, he said.

"He was the one who could and did step in when needed. Yes, SBUX has a deep bench and talented board ... but there was only one Howard," Morgan Stanley analyst John Glass wrote in a note.

Schultz's departure also fuelled speculation that the liberal-leaning executive, known for his views on social issues ranging from gay marriage to government gridlock, could make a U.S. presidential bid.

"The surprise move amplifies the likelihood Schultz ultimately pursues public office," Cowen &

Co's Charles wrote.

Separately, Starbucks on Tuesday announced the departure of independent director and former Pepsi North America chief Craig Weatherup from the board.

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